

THE BALDWIN COMPANY

Cincinnati, April 3, 1939

ANNUAL REPORT TO SHAREHOLDERS SEVENTY-SIXTH YEAR

To the Shareholders of The Baldwin Company:

Sales for the year 1938, exclusive of small goods and intercompany sales, were \$4,152,384.65, a decrease of 8.3% from 1937. The net profit for the year 1938 was \$159,396.30 after deduction of Federal income taxes, interest and depreciation charges, compared with \$177,634.03 for the year 1937.

Consolidated Balance Sheets as of December 31, 1938 and 1937 and Analysis of Surplus Accounts for the year 1938 are included herewith.

On December 31, 1938, Total Current Assets amounted to \$4,127,761.91 and Current Liabilities to \$278,006.60 which is a ratio of 14.9 to 1. Principal changes during the past year in current accounts are as follows: Cash increased \$63,217.31, Net Notes and Accounts Receivable after provision for possible loss, decreased \$87,802.23 and Inventories decreased \$200,456.09. At the end of the year there were no bank loans outstanding. Accounts Payable increased \$3,182.85, Accrued Expenses increased \$12,212.59—principally due to higher Social Security Taxes. Federal Income Tax increased \$6,576.07 even though the year's earnings were smaller, due to the higher rates applicable to 1938 earnings, compared with the year before.

During the year 1938 regular dividends were paid on the 6% Cumulative Preferred Stocks and dividends totaling 30 cents per share were paid on the Common Stock. The net increase in Earned Surplus after these charges amounted to \$7,320.05.

During the first half of 1938, although the volume of sales was fairly well maintained, the trend of high costs and operating expenses reported in last year's annual report, as affecting unfavorably the operations of the second half of 1937, was continued and the results for the first six months of 1938 were disappointing. However, starting in August last, a small upturn in the volume of sales began to result in more profitable operations. The final result for the year, though somewhat less than for the year 1937, justified the policy of the Board in continuing quarterly dividends on the Common Stock.

The reduction in our factory shipments for 1938 was 12.2% compared with 1937. The production figures for the whole piano industry show a reduction of 15.6% in 1938 over 1937. Demand for pianos has developed on a slightly increasing basis so far in 1939.

Increasingly attractive styles, especially in the new console models, together with the hope that something can also be developed for the grand piano, similar to the conversion of the old upright into the new flat top, suggest the idea that the public, some day, will be as style conscious in pianos as they are in automobiles.

As a result of our well established conservative policies, our own business is in good shape, with all assets protected by adequate reserves. The personnel which makes up the Baldwin organization in manufacturing, selling and research has been through the depression and the struggle back to profitable operations. It is young, virile and also well grounded in experience.

Respectfully submitted,

LUCIEN WULSIN, President.

THE BALDWIN COMPANIES
CONDENSED CONSOLIDATED STATEMENT
AS AT DECEMBER 31, 1938

ASSETS	December 31, 1938	December 31, 1937
Cash	\$ 303,428.69	\$ 240,211.38
Notes and Accounts Receivable—	\$3,030,093.86	\$3,099,380.08
Less: Dealers' Contingent Equities	553,063.17	589,407.52
	<u>\$2,477,030.69</u>	<u>\$2,509,972.56</u>
Less: Provision for Possible Loss....	574,548.79	519,688.43
	<u>1,902,481.90</u>	<u>1,990,284.13</u>
Inventories	1,921,851.32	2,122,307.41
Total Current Assets	<u>\$4,127,761.91</u>	<u>\$4,352,802.92</u>
Plant and Equipment:		
Real Estate and Buildings.....	\$1,198,187.64	\$1,198,187.64
Machinery and Equipment.....	1,031,857.94	1,046,001.03
	<u>\$2,230,045.58</u>	<u>\$2,244,188.67</u>
Less: Reserve for Depreciation.....	1,432,356.47	797,689.11
	<u>797,689.11</u>	<u>1,397,499.93</u>
Other Assets.....	30,725.00	31,213.00
Deferred Charges to Future Operations.....	6,569.46	8,304.68
Total Assets	<u><u>\$4,962,745.48</u></u>	<u><u>\$5,239,009.34</u></u>

CONDENSED CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1938

Net Profit From Operations Before Deducting Depreciation and Federal Income Taxes	
Deduct:	
Depreciation	
Federal Income Taxes.....	
Net Profit for Year Ended December 31, 1938	

ANALYSIS OF CONSOLIDATED SURPLUS ACCOUNT

Balances, January 1, 1938	Total
Add:	\$
Net Profit for year ended December 31, 1938.....	\$ 159,396.30
Adjustment of Reserves upon Liquidation of Subsidiaries	449.28
Deduct:	\$
Dividends on Preferred Stock—Net.....	\$ 108,366.00
Dividends on Common Stock.....	40,134.00
Adjustment of Federal Income Tax, prior years....	4,025.53
Balances, December 31, 1938	\$

CERTIFICATE

We have audited the books of account and ITS SUBSIDIARY as at December 31, 1938, according to the accuracy of the inventories. Subject to the balance sheet reflects the financial condition of December 31, 1938, and that the accompanying profit and loss statement is correct.

MURPHY, J. H.

**NY AND SUBSIDIARY
TED BALANCE SHEETS
AND DECEMBER 31, 1937**

LIABILITIES AND CAPITAL	December 31, 1938	December 31, 1937
Notes Payable.....	\$ 0.00	\$ 300,000.00
Accounts Payable	148,322.30	145,139.45
Accrued Expenses.....	84,134.30	71,921.71
Federal Income Taxes—Current	45,550.00	38,973.93
Total Current Liabilities.....	\$ 278,006.60	\$ 556,035.09
Purchase Money Mortgage.....	40,000.00	50,000.00
Deferred Credits	77,331.16	72,886.58
Reserve for Contingencies.....	116,769.48	116,769.48
Capital Stock and Surplus:		
6% Preferred Issue of 1901-1903 Issued and Outstanding,		
2327 Shares	\$ 232,700.00	\$ 232,700.00
Less: In Treasury.....	29,300.00	29,300.00
	203,400.00	203,400.00
6% Preferred, Series A, 1924 Issued and Outstanding,		
20,000 Shares.....	\$2,000,000.00	\$2,000,000.00
Less: In Treasury.....	397,300.00	397,300.00
	1,602,700.00	1,602,700.00
Common Stock, 133,786.6 Shares....	1,070,292.80	1,070,292.80
Surplus:		
Capital	\$ 279,211.87	279,211.87
Earned	1,295,033.57	1,287,713.52
	1,574,245.44	1,566,925.39
Total Liabilities and Capital.....	\$4,962,745.48	\$5,239,009.34

**STATEMENT OF PROFIT AND LOSS
DECEMBER 31, 1938**

	\$ 257,886.90
	\$ 52,940.60
	45,550.00
	98,490.60
	\$ 159,396.30

ACCOUNTS FOR YEAR ENDED DECEMBER 31, 1938

	Capital Surplus	Earned Surplus
1,566,925.39	\$ 279,211.87	\$1,287,713.52
	\$ 159,396.30	
159,845.58		449.28
		159,845.58
1,726,770.97	\$ 279,211.87	\$1,447,559.10
		\$ 108,366.00
		40,134.00
152,525.53		4,025.53
		152,525.53
1,574,245.44	\$ 279,211.87	\$1,295,033.57

CERTIFICATE

record of THE BALDWIN COMPANY AND
obtaining a certification from the company's Secretary
his qualification, we hereby certify that the above
The Baldwin Company and its subsidiary at
and loss statement and surplus analysis are correct.
ANIER & QUINN, PUBLIC ACCOUNTANTS

OFFICERS:

Lucien Wulsin.....President and Treasurer
J. P. Thornton.....Vice-President
Philip WymanVice-President
A. J. Schoenberger.....Secretary
W. H. Smith.....Asst. Treasurer
C. W. Fessler.....Asst. Secretary

DIRECTORS:

Lucien Wulsin Cincinnati	Wm. J. Rielly Cincinnati
J. P. Thornton Cincinnati	Philip Wyman Cincinnati
Geo. W. Lawrence Cincinnati	

GENERAL OFFICES:

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

PRINCIPAL SELLING OFFICES:

Cincinnati	Chicago	New York
St. Louis	Denver	Louisville
Pittsburgh	Kansas City	San Francisco

EXPORT OFFICES:

New York	Cincinnati	San Francisco
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SUBSIDIARY COMPANY:

The Baldwin Piano Company